Public Service Management Pension Plan

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED MARCH 31, 1987

Alberta
TREASURY

88-06192/

Public Service Management Pension Plan

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PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-8809

June, 1988

The Honourable Dr. David Carter
Speaker of the Assembly

Sir:

Pursuant to section 4 of the Public Service Management Pension Plan Act, being Chapter P-34.1 of the 1984 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Public Service Management Pension Plan for the fiscal year ended March 31, 1987.

Respectfully submitted,

Dick Johnston
Provincial Treasurer

Alberta
TREASURY

442 Terrace Building, 9515 - 107 Street, Edmonton, Alberta, Canada T5K 2C3 403/427-4106

June, 1988

The Honourable Dick Johnston
Provincial Treasurer

Sir:

In accordance with section 4 of the Public Service Management Pension Plan Act, I have the honour to transmit herewith the annual report on the operation of the Public Service Management Pension Plan for the fiscal year ended March 31, 1987 to be laid by you before the Legislative Assembly.

The annual report includes a statement of the most recent estimate of the actuarial liabilities of the Plan as required by section 4(2) of the Act.

Respectfully submitted,

A.D. O'Brien
Deputy Provincial Treasurer
Management and Control

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Introduction

The Public Service Management Pension Plan was established effective July 1, 1972 by the Public Service Management Pension Act to provide a contributory pension scheme for Alberta Government employees occupying positions designated as "Management". Formerly, such employees were participants in the Public Service Pension Plan. Initial participation in the Public Service Management Pension Plan was restricted to departmental employees of the Alberta Government. Participation was later extended to employees of Government Boards, Agencies, Commissions and Crown Corporations.

The Public Service Management Pension Act was repealed on November 1, 1985 and replaced by the Public Service Management Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Public Service Management Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Public Service Management Pension Plan is a contributory defined benefit plan under which employee contributions are five per cent of salary and employer contributions nine per cent. The net amount of pension contributions less payments is deposited to or withdrawn from the Pension Fund pursuant to the Pension Fund Act. The income of the Pension Fund accrues to and forms part of the Fund. The Government of Alberta guarantees the payment of all benefits under the Public Service Management Pension Plan.

Members may retire at any time after age 55 without reduction in the amount of pension if five years of pensionable service has been accumulated. Normal pensionable age is 65 years, however, there is no mandatory retirement age. Pension benefits are based on two per cent of the highest average pensionable earnings for five consecutive years times the number of years of pensionable service. If the member has a spouse and has been married to or lived with that spouse for at least five years, unless a waiver is signed by the spouse, the member must choose a normal pension. The normal form of a pension is for the life of the member with a 75 per cent survivor benefit. Single members may elect a life pension, choosing a 5, 10, 15 or 20 year guarantee period. They may also elect a joint life pension based on their life and that of a nominee.

The Plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit.

Review of Operations

The Public Service Management Pension Plan is administered by Alberta Treasury, Payroll and Pensions.

During the year under review the concept of annual reporting was extended to encompass all employers under the Plan. Annual reporting by employers offers significant advantages over monthly reporting as it reduces the amount and frequency of data required to be submitted to the Pension Administration.

In accordance with the concept of giving employers greater responsibility over their pension plan, employer training in the form of workshops and seminars was expanded from previous years. In addition, a new employer manual with improved content and format was developed to assist employers in carrying out their responsibilities.

Annual statements were produced for all participants to provide information and verify the current status of information on file. The statements were forwarded to employers for distribution.

During the year, Payroll and Pensions proceeded with further automation of pension plan activities. Retirement processing, including the provision of member estimates, was partly computerized in February 1987. Such computerization of the retirement function has improved the accuracy of pension calculations and decreased the time required in supplying information to retirees.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1985 estimated the accrued liability of the Public Service Management Pension Plan to be $904,734,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 22.3 per cent.

Participation

At March 31, 1987 there were a total of 13 employers participating in the Public Service Management Pension Plan, 4,851 active contributors and 392 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A listing of the participating employers and the number of participants is provided in the section on Contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These transfers are not reflected in the Statement of Receipts and Payments.

	TRANSFERS TO PUBLIC SERVICE MANAGEMENT PENSION PLAN	TRANSFERS FROM PUBLIC SERVICE MANAGEMENT PENSION PLAN
	$	$
Public Service Pension Plan	4,789,719	370,075
Local Authorities Pension Plan	206,961	432,209
Universities Academic Pension Plan	55,500	59,135
	5,052,180	861,419

Reciprocal Agreements

At March 31, 1987, the Public Service Management Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta

- Alberta Government Telephones Pension Plan
- Alberta Teachers' Retirement Fund
- Local Authorities Pension Plan
- Public Service Pension Plan
- Universities Academic Pension Plan

Outside Alberta

- Government of Canada
- Government of British Columbia
- Manitoba Civil Service Superannuation Board
- Province of New Brunswick
- Government of Newfoundland and Labrador
- Government of Ontario
- Province of Prince Edward Island
- Saskatchewan Public Service Superannuation Commission
- Canada Mortgage and Housing Corporation
- Dalhousie University
- Federal Business Development Bank
- Health Sciences Centre of Manitoba
- Council of Maritime Premiers
- Ontario Colleges of Applied Arts and Technology
- Ontario Municipal Employees Retirement Board
- Ontario Teachers' Superannuation Commission
- Regina Civic Employees' Superannuation and Benefits Plan
- University of Regina
- Saskatchewan Crown Investments Corporation
- Saskatchewan Health Care Association
- Saskatchewan Municipal Employees' Superannuation Commission
- Saskatchewan Teachers' Superannuation Commission
- Saskatchewan Power Corporation Superannuation Board
- York University

Reciprocal Transfers

During the year ended March 31, 1987 the following number and value of reciprocal transfers were undertaken:

	TRANSFERS TO PUBLIC SERVICE MANAGEMENT PENSION PLAN		TRANSFERS FROM PUBLIC SERVICE MANAGEMENT PENSION PLAN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
		$		$
Alberta Government Telephones			5	51,550
Alberta Teachers' Retirement Fund	12	537,131	8	243,630
Government of Canada	5	148,716	3	69,604
Others	4	145,702	10	268,795
	21	831,549	26	633,579

Note: The amounts of reciprocal transfers to the Public Service Management Pension Plan are included in the Contributions below.

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1987.

	Participants At March 31, 1987	Contributions Received		
		Employee	Employer	Total
		$	$	$
Government of Alberta	4,089	10,460,589	17,525,659	27,986,248
Alberta Educational Communications Corporation	25	66,939	116,295	183,234
Alberta Liquor Control Board	97	194,784	330,520	525,304
Alberta Opportunity Company	24	59,079	100,077	159,156
Alberta Petroleum Marketing Commission	12	39,380	66,745	106,125
Energy Resources Conservation Board	6	13,540	24,374	37,914
Northern Alberta Institute of Technology	40	116,067	199,965	316,032
Southern Alberta Institute of Technology	26	84,759	141,628	226,387
Special Waste Management Corporation	4	15,222	18,835	34,057
Treasury Branches	473	922,146	1,736,664	2,658,810
Workers' Compensation Board	51	177,919	265,370	443,289
Others	4	12,308	22,154	34,462
Accounts held on Deposit	392	7,406	3,575	10,981
	5,243	12,170,138	20,551,861	32,721,999

Refunds

The following amounts of member contributions and interest were refunded to members terminating employment:

	Number	Amount $
Cash	64	416,262
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	104	986,162
	168	1,402,424

In addition, 257 refunds of excess contributions totalling $110,640 were made to members and employers.

Death in Service Benefits

In the current year 10 members died while in service. Nine of the surviving spouses were granted spousal pensions and one lump sum benefit was paid.

Information and Counselling Service

Payroll and Pensions presented 61 information seminars to employees during the year. Ten workshops were held for employers to assist them in their pension administration responsibilities.

Several information brochures on special interest topics were prepared for participants and a regular information bulletin, Pension News, was prepared for employers.

Requests for individual counselling increased dramatically during the latter part of the year as a result of the Early Retirement Incentive Program of the Government of Alberta.

Pension Benefits

During the year ended March 31, 1987 pension benefits paid totalled $26,114,189, an increase of $3,487,434 (15.4 per cent) over the previous year. A total of 104 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	1987	1986
Normal Retirement	16	16
Early Retirement	78 (64)	91 (75)
Partial or Total Disability	1 (1)	
Death-in-Service (Spousal)	9 (7)	8 (5)
	104 (72)	115 (80)

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or Federal Old Age Security (OAS) payments.

Of the above retirements, 10 were in respect of deferred retirements from previous years (one normal, eight early and one disability).

Pension options selected by members are as follows:

Member Pensions	At March 31, 1986	New Retire-ments	Benefi-ciaries	Deaths	End of Guaran-tee Term	At March 31, 1987
Normal (life with 75 per cent survivor pension)	1021	90	16	(18)		1109
Guaranteed 5 years	8	3				11
Guaranteed 10 years	12	1				13
Guaranteed 15 years	17				(1)	16
Guaranteed 20 years	14	1				15
Spousal Pension						
Single Life	23	1				24
Guaranteed 5 years	5					5
Guaranteed 10 years	6	1				7
Guaranteed 15 years	5	1				6
Guaranteed 20 years	34	6	2	(1)	—	41
Total Pensions	1145	104	18	(19)	(1)	1247
Pensions co-ordinated with CPP and/or OAS	654	72	—	(6)	—	720

Notes:

1. The allocation of pension options at March 31, 1986 has been adjusted to correct previously reported figures.
2. The normal member pension does not have a guaranteed term but, in the event of the retiree's death, pays the eligible spouse a spousal pension equalling 75 per cent of the deceased retiree's pension for life.

The schedule below categorizes the pensions in effect at March 31, 1987 by dollar value of monthly pension.

Dollar Value Per Month	Member Pensions	Spousal Pensions	Total
$ 0 – 499	37	13	50
500 – 999	180	33	213
1,000 – 1,499	232	23	255
1,500 – 1,999	244	9	253
2,000 – 2,499	212	3	215
2,500 – 2,999	143	1	144
3,000 – 3,499	72	1	73
3,500 – 3,999	33	0	33
4,000 – 4,499	7	0	7
4,500 and over	4	0	4
	1,164	83	1,247

Effective January 1, 1987 a cost of living adjustment of 2.7 per cent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the year.

STATEMENT OF RECEIPTS AND PAYMENTS
YEAR ENDED MARCH 31, 1987

	1987	1986
	$	$
RECEIPTS:		
Employer contributions	20,551,861	20,105,331
Employee contributions	12,170,138	11,879,729
Interest on overdue receivables	391	
	32,722,390	31,985,060
PAYMENTS:		
BENEFITS		
Pensions to retired members	24,791,613	21,706,200
Pensions to surviving spouses	1,060,371	895,480
Lump sums to beneficiaries of deceased pensioners	182,045	
Lump sums to beneficiaries of deceased employees	80,160	25,075
	26,114,189	22,626,755
WITHDRAWALS		
Refunds of contributions and interest to terminated members	1,402,424	916,145
Reciprocal agreement transfers	633,579	781,086
Refunds of excess contributions	110,640	104,109
	2,146,643	1,801,340
Total payments	28,260,832	24,428,095
Excess of receipts over payments	4,461,558	7,556,965

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta Government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years:

(000's)

Fiscal Year	RECEIPTS			PAYMENTS			Excess of Receipts over Payments
	Member	Employer	Total	Benefits	With-drawals	Total	
	$	$	$	$	$	$	$
1986-87	12,170	20,552	32,722	26,114	2,146	28,260	4,462
1985-86	11,880	20,105	31,985	22,627	1,801	24,428	7,557
1984-85	11,162	18,933	30,095	19,658	1,780	21,438	8,657
1983-84	11,819	19,515	31,334	16,620	1,025	17,645	13,689
1982-83	10,929	17,622	28,551	14,081	1,674	15,755	12,796